

# Ulster Bank Construction PMI<sup>®</sup> Report (RoI)

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## New orders rise for first time in 19 months

The decline in Irish construction activity slowed markedly in July as new orders returned to growth. Weaker reductions were also recorded with regards to purchasing activity and employment. Meanwhile, the rate of input cost inflation eased further during the month. The **Ulster Bank Construction Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>)** – a seasonally adjusted index designed to track changes in total construction activity – remained below the 50.0 no-change mark in July, but rose sharply to 47.5 from 43.4 in the previous month. This signalled a marked easing in the rate of decline in activity, with the latest fall the slowest since December 2011.

**Commenting on the survey, Simon Barry, Chief Economist Republic of Ireland at Ulster Bank, noted that:**

*“There were signs of emerging stabilisation in the Irish construction sector in July, according to the latest reading of the Ulster Bank Construction PMI. Notably, the survey picked up an increase in New Orders last month – the first such increase since late 2011. Last month we noted the less negative trends in new business in June. But this has given way to an outright increase in order levels in July as the index broke through the key 50 level - indicating expansion – as 35% of firms reported higher orders levels compared with 24% reporting declines.*

*“Some caution is still warranted on the sector’s performance, however. The overall Construction PMI continues to signal ongoing declines in activity, with the PMI remaining sub 50, at 47.5 last month. However, this was the highest reading since December 2011 consistent with an easing in the pace of decline. Moreover, the return to expansion in New Orders, if sustained, should promote greater stability in overall activity trends in the period ahead. The Housing sector was the best performing of the main sub-sectors last month, with a PMI reading of over 50 pointing to an increase in activity levels for the first time since late 2011. Commercial and Civil Engineering recorded further falls, albeit at a slower pace compared with recent quarters.”*

### Housing activity rises in July

Activity on housing projects increased during July, ending an 18-month period of contraction. Activity continued to fall with regards to commercial and civil engineering projects, but in each case the rate of decline eased.

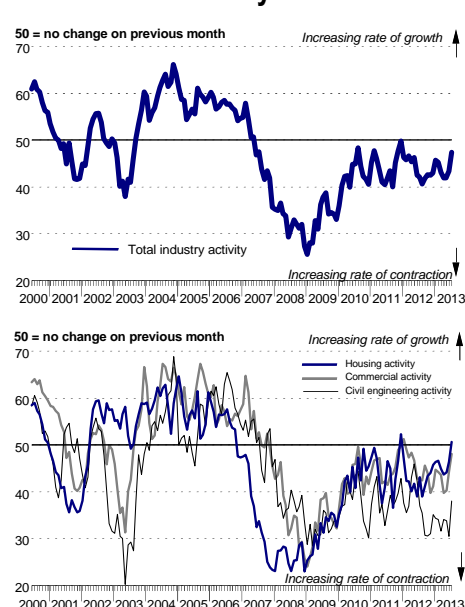
#### Latest Construction PMI<sup>®</sup> readings

	Jun'13	Jul'13
<b>Total Activity</b>	<b>43.4</b>	<b>47.5</b>
Housing Activity	46.4	50.7
Commercial Activity	44.3	48.1
Civil Engineering Activity	30.6	38.1

*Index readings above 50 signal an increase in activity on the previous month and reading below 50 signal a decrease. All indexes given above and displayed in the charts are seasonally adjusted.*

*Source: Markit.*

#### Construction activity



## New orders return to growth

Anecdotal evidence suggested that the slowdown of the contraction in activity mainly reflected an increase in new orders. New business grew for the first time in 19 months during July, and at a solid pace. Respondents mentioned signs of improving demand among clients.

## Slower fall in staffing levels

Rising new orders also contributed to a slowdown in the rate of job cuts during the month. Although employment continued to fall at a solid pace, the rate of decline slowed to the weakest since February. Staffing levels have fallen in each month since May 2007.

## Cost inflation eases further

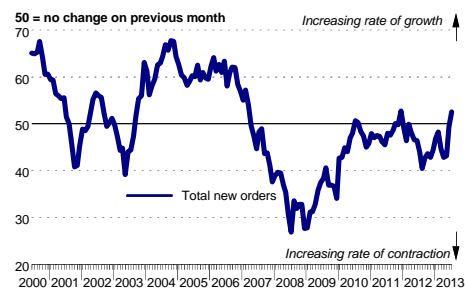
The rate of input cost inflation eased for the fifth successive month, and was the slowest in the current year-long sequence of rising input prices. Respondents highlighted ongoing price competition.

Purchasing activity continued to decline. Although the pace of reduction remained marked, it slowed for the third consecutive month to the weakest since January. Despite reduced demand for inputs, suppliers' delivery times lengthened in July. Furthermore, the rate of deterioration was substantial and the strongest since December 2005. Panellists mainly linked the lengthening of lead times to a lack of stocks held at suppliers.

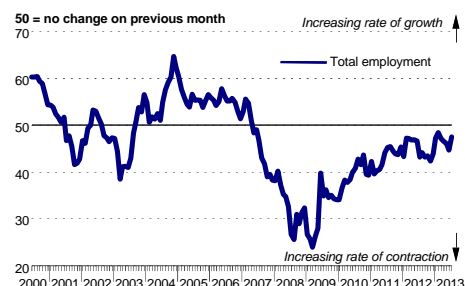
## Optimism remains solid

Although dipping slightly from the previous month, solid optimism was recorded at Irish construction firms in July. Close to 43% of panellists forecast growth of activity over the coming year, linked to improved confidence in the sector and the prospect of further rises in new business.

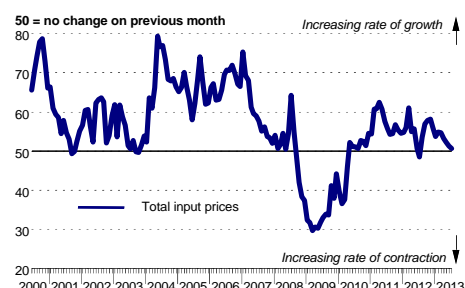
## New business



## Employment



## Input prices



*Index readings above 50 signal an increase in activity on the previous month and reading below 50 signal a decrease.*

*Source: Markit.*

## Press information

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